

**CHALLENGES FACING SMALL HOTELS IN THEIR OPERATIONS IN  
ARUSHA MUNICIPALITY, TANZANIA**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE DEGREE OF MASTER OF TOURISM  
MANAGEMENT AND PLANNING OF THE OPEN UNIVERSITY OF  
TANZANIA**

**2015**

**CERTIFICATION**

I, **Dr. Emmanuel Patroba Mhache** certifies he has read and hereby recommends for acceptance by Open University of Tanzania the dissertation entitled: “***Challenges Facing Small Hotel Operators in Tanzania –A Case Study of Arusha Municipality***” in fulfillment of the requirements for the Masters degree of Arts in Tourism Management and Planning.

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Signature

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Date

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I, **Enid Archibold Marealle** do hereby declare that this dissertation is my own original work and it has not been submitted for a similar degree of Masters degree of Arts in Tourism Management and Planning of the Open University of Tanzania.

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**DEDICATION**

I dedicate this work to my mother Mrs. Margreth A. Marealle, my sisters Martha Marealle, Matilda Marealle and Sia Marealle for their moral supports and encouragement and understanding during the whole period of my course and during tough moment of report writing may god bless you.

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I am grateful to the Open University of Tanzania for providing this nation with the most conducive learning environment, affordable as well as high quality education. Among many other Tanzanians I stand here as a true testimony of students who have exploited the full potential of this institution.

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I understand that mentioning everyone who provided me with support in one way or another will not be possible in this short space of paper but deep in my heart I thank you all for lending me a helping hand. May God bless you all.

TO ALMIGHTY GOD BE THE GLORY.

## **ABSTRACT**

The purpose of this study was to assess challenges that small hotels face in their operations in Arusha Municipality. Specifically, the study aimed at addressing the following objectives: to identify the contribution of small hotels in Arusha Municipality; to examine challenges facing small hotel operators in Arusha Municipality; and to identify measures taken by small hotel operators towards addressing challenges they face. This was essentially a descriptive research by design. The sample for this research comprised of 57 managers of the selected hotels, hotel staff and supervisors. Purposive and simple random sampling methods were used to develop the study sample. The study used questionnaires, interviews, direct observation and document review as tools for collecting data. Quantitative data were analyzed using a Statistical Packages for Social Science (SPSS version 16.0) whereby content analysis was used to analysis qualitative data of the study. Findings of the study revealed that key factors that constrained development of the small hotels in the study area were high interest rate, inflation, cost of daily operations, high taxes, changes in the world market, and lack of training. The following were mentioned to be measures that hotel operators and other stakeholders had taken to overcome the said challenges: reduction of operation cost; reduction of tax; reduction of inflation rate; increased marketing and promotion; and improvement of hotel infrastructure.

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**LIST OF ABBREVIATIONS**

GDP	Gross Domestic Product
GNP	Gross National Product
ICT	Information and Communication Technology
MNRT	Ministry of Natural Resources and Tourism
NCT	National College of Tourism
SPSS	Statistical Package for Social Sciences
TTB	Tanzania Tourist Board
URT	United Republic of Tanzania
WTO	World Tourism Organization
VAT	Value Added Tax

## **CHAPTER ONE**

### **1.0 INTRODUCTION AND PROBLEM SETTING**

#### **1.1 Introduction**

This chapter presents the introduction and background of the study. It also presents the statement of the problem, objective of the study, research questions and significance of the study.

#### **1.2 Background information**

Tanzania is among a few African nations who allocate resources to develop entrepreneurial activity, especially in hospitality industry. One of the key entrepreneurial activities in the tourism sector in the country are small hotels, restaurants, tour operators and travel agencies. A recent study showed that small hotels alone have the potential to contribute significantly to Tanzania's economic development (Sharma, 2006).

It is estimated that over 219,000 people derive their livelihoods and earnings from tourism related activities as opposed to primary products (Bergqvist, 2006). In some countries like Egypt and South Africa tourism is the highest foreign exchange earner and provider of employment opportunities (Tenga, 2005).

Tourism is an activity of a person moving outside of his/her usual environment and stay not less than 24 hours for the purpose of leisure, business and other purpose related to tourism for not more than one consecutive year without engage in any paid work (WTO, 1993). Tourism is the leading economic growing industry in the world (Beech *et*



*al*,2006). Tourism is the main source of foreign exchange, provision of a wide range opportunities in employment, intercultural understanding, good relationship between nations, and it also contribute to peace and stability around the world. Hospitality and tourism industry in Tanzania contributes over 17% to the national Gross Domestic Product(GDP) and it is ranked second in foreign exchange earnings after gold. It is estimated that one tourist arrival in Tanzania benefits twelve Tanzanians both directly and indirectly (Tanzania Tourist Board, 2008).

The hotel and tourism labour intensive sectors and therefore they create more employment opportunities when compared with other economic sectors. Africa has great potential for the tourism industry not only because of its size and diversity, but also due to its unique tourist attractions (WTO, 2005). In Tanzania, the large number of tourist hotels were operating under the auspices of the state planning and ownership since 1967 when the Arusha Declaration was started (Freisen, 1995).

During that time the government is said to have invested very little in tourism infrastructural works and somehow did not strongly promote private and foreign investment. Despite this lack of initiative, tourist arrivals increased from 80,000 to 235,000 between the 1960s and 1970s (Freisen, 1995).

Tourism and hotel industries are the major source of government revenue which is generated from license fees, customs and exercise duty, value added tax (VAT) on tourism services, landing fees, passenger service charges, entry fees to Game Parks and income tax levied on employees in the sector. These earnings are also used to offset the

shortfall on the visible trading account, thus contributing to economic growth (Tenga, 2005).

Hospitality is the way of treating people in way you want yourself to be treated. A hotel is an establishment that provide lodging paid on a short-term basis. Normally a hotel provides a room with a bed, a cupboard, a small table, and telephone service this is for small hotels. While large hotels provide additional facilities such as swimming pools, fitness centers, children care, conference facilities and social functional services. This study is designed to explore challenges facing small hotels in Arusha municipality.

Operation of a tourist hotel requires that it meets international standards so as to ensure the delivery of quality service. Despite the fact that the hotel industry in Tanzania has tried to achieve these standards, complaints still arise about the quality of service offered (URT, 2002). Studies have shown that Tanzania has a long history in the development of the hotel industry but many challenges make the country not to fully utilize its potential (URT, 2002). Poor service standards have been a concern not only to the government but also to other stakeholders including the hotel owners, tour operators and Tanzanian development partners such as the European Union, and the World Bank (URT, 2002)

### **1.3 Statement of the Problem**

Hotels play an important role in most countries in providing facilities for the transaction of business, for meetings and conference, for recreation and entertainment. Hotels are essential to economies and they contribute to the total output of goods and services which make up the material well-being of nations and communities. Hotels are also

important foreign currency earner, in this way hotels contribute significantly to the country's balance of payment, and in providing employment to the people. They are also outlets for the products of other industries such as furniture, food, and drinks. They are also significant consumers of products from farmers, fishermen, and utility services such as gas, electricity and water. In addition, hotels are a good source of amenities for local residents. In recent years, restaurants, bars and other facilities attract local customers and many hotels have become social centers for the communities (Medlik, 1980).

Poor service standards have been a concern not only to the government but also to other stakeholders including small hotels owners, tour operators and Tanzania development partners such as the European Union and the World Bank (URT, 2002).

According to Mbise (2012), designing the service quality package poses a big challenge to the hotel managers, and according to him guest requirements is the most important aspect in meeting service quality, hence guest satisfaction. Hotel guests are always dynamic; this is because changes which occur due to economic growth or decline, technology, and globalization affect the lifestyle, fashion, as well as customers' preferences and tastes. The integrated tourism master plan of Tanzania (URT, 2002) noted the Tanzania international competitiveness being jeopardized by the poor level of service standard offered in small hotels. Moreover different studies were carried out focusing on the challenges facing small hotels. (Chan and Quan (2008) studied key issues on managing small sized accommodation businesses in Malaysia. Milohnic and Cerovi'c (2007) studied benchmarking and quality of small hotels in Croatia which showed that the management of small hotels rarely applies the comparison of business success

regarding domestic and foreign competitors, and therefore fail to understand that this is the way to improve one's business while Wadawi (2008) made an assessment of hotel product quality in Kenya as a basis of building destination competitiveness. Despite the numerous studies conducted so far, there is no research conducted on challenges facing small hotels operators in their operations. Therefore this study intends to investigate the challenges faced by small hotels operators in their operations in Arusha Municipality and propose measures to address them.

## **1.4 Objectives of the Study**

### **1.4.1 General objective**

The main objective of this study is to explore challenges facing small hotel operators in their operations.

### **1.4.2 Specific objectives**

1. To identify the contribution of small hotels in Arusha Municipality.
2. To examine challenges facing small hotel operators in Arusha Municipality.
3. To examine mitigation measures taken by hotel operators towards addressing challenges facing small hotels.

## **1.5 Research Questions**

1. What are the contributions of small hotels in Arusha Municipality?
2. What are the challenges facing small hotel operators in Arusha Municipality?
3. What are the mitigation measures to address challenges facing small hotel operators?

### **1.6 Significance of the Study**

This study will also act as a tool of information and knowledge dissemination to the tourism stakeholders. Moreover, this study will act as starting point for other researchers who will research on the same field especially in the context of Tanzania where only few research concerning small hotels have been done so far. This research will also act as a reference tool for other researchers on aspects of literature review, methodologies and promotion of the sector. On the other hand, it will help small hotels improve their level of service in order to meet customers satisfaction and improve the tourism industry at large.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter reviews literature related to challenges facing small hotel operators at global, regional and local levels. The chapter presents definitions of key terms, an overview of hotel industry, theoretical literature review and empirical literature review. It also presents conceptual framework for the study and research gap.

#### **2.2 Definitions of Key Concepts**

##### **2.2.1 Hotels**

A hotel is an establishment that provides paid lodging and usually meals and other services to travelers as well as other guests for a minimum duration of one night (Singh, 2010). Hotel can also be defined as an establishment that offer short stay accommodation with element of service which exceed the functional elements of taking reservations, cleaning rooms and ensuring payments (Johnet *al.* 2006). Hotels accommodate those who are away from home and supply them with basic needs (Medlik, 1980). A hotel is also considered to be an institution of commercial hospitality which offers facilities and services to people (Medlik, 1980). Hotel is a corporate or business entity that provides services accommodation lodging, food and beverage and other service facilities where all service is intended for the general public, both those who stay overnight at the hotel or those who simply use certain facilities owned by the hotel (<http://www.babelgood.blogspot.com>.)

### **2.2.2 Small hotels**

Small hotel possess accommodation facilities of less than 75 rooms. They range from small to medium sized hotels, cottages, villas, apartments, bed and breakfasts and guest houses ([www.bahamas.com](http://www.bahamas.com)2015).According to World Tourism Organization (WTO)hotels and similar establishments are typified as being arranged in rooms, in number exceeding a specified minimum as coming under a common management as providing certain service including room services, daily bed-making and cleaning sanitary facilities. However, the exact meaning of the term small hotel differs between counties and essentially reflects the designation given to accommodation establishment in each country. Tanzania Tourist Board defines small hotels as those operations having less than 20 rooms (Jaffary, 2014).

### **2.2.3 Hotel operators**

According to Henkin (2001),a hotel operator is a person who is an administrator of a hotel whether in the capacity of the owner, lessee, and mortgagee in possession, licensee, and trustee in ownership, trustee in economic failure, receiver and the person responsible for. The hotel management company which manages a hotel under management agreement ([www.cmslegal.com](http://www.cmslegal.com)).

The hotel operator is the tenant in the hotel property and this leaves in different from other commercial property leases like office lease it is common that the tenant pays a percentage of revenue to the owners or receives different fees from operating the hotel in a management contract when the owner and the operator is not the same company (Susan, 2011).

### **2.3 Hotel Industry: An Overview**

Historically, evidence of hotels and the hospitality industry have been recorded as far back as biblical times when Mary and Joseph arrived in Bethlehem during the census ([www.searchandgo.com](http://www.searchandgo.com)). As the Bible depicts, Mary and Joseph were refused accommodation because there was no room at the inn. Since the beginning of time, people have traveled for commercial, religion, family, health, immigration, educational and recreational purposes ([www.searchandgo.com](http://www.searchandgo.com)). The word hospitality comes from the Latin word meaning host or hospice. The University of Texas spotted that the first hotels were nothing more than private homes opened to public, which had a poor reputation. Under the influence of the Roman Empire, inns and hotels began catering for the pleasure of the traveler in an effort to encourage visitors. The first inns were located in America in 1607 which led to many other inns in the hospitality industry ([www.searchandgo.com](http://www.searchandgo.com)).

Tanzania has a vast spread of accommodation options, ranging from luxurious game lodges in national parks, heritage buildings in the winding alleys of Stone Town, sprawling resorts and coast beach huts lining Zanzibar's beaches, and extending down-budget all the way to a plethora of middling mid-range hotels and the cheap, rough-around-the-edges guest houses. Hotels in Tanzania vary from superbly finished, expensive luxury hotels with all the trimmings found in the cities and popular tourist areas, to mid-range generic hotels favored by local business people, and cheap board and lodgings in the regional towns, which, although sometimes adequate, have little atmosphere and can have security issues.



The Island of Zanzibar has probably the best assortment of accommodation choices, from luxury resorts to beach bungalows and budget hotels. On the beach are large and modern, fully-contained resorts aimed at package holidaymakers, while the capital of Stone Town boasts many hotels housed in converted, atmospheric heritage buildings, often with ornate four-poster beds and decorated with antiques and Persian carpets. Since Arusha is the tourism headquarter for the tourist visiting northern circuit it has a number of lodges and hotels such as New Arusha hotel, Ngurdoto mountain lodge, Mount Meru hotel, impala hotel, Kibo Palace hotel, East African hotel these accommodation made Arusha to be very special and popular for tourism as its popular known Genève of Africa by Bill Clinton the president of united States of America in years 2000s.

## **2.4 Theoretical Literature Review**

In this study three theories are discussed.

### **2.4.1 The Dissonance Theory**

The dissonance theory suggests that a person who expected a high-value product and received a low-value product would recognize the disparity and experience a cognitive dissonance (Cardozzo,1965). That is, the disconfirmed expectations create a state of dissonance or a psychological discomfort (Yi,1990). According to this theory, the existence of dissonance produces pressures for its reduction, which could be achieved by adjusting the perceived disparity. This theory holds that "post exposure ratings are primarily a function of the expectation level because the task of recognizing disconfirmation is believed to be psychologically uncomfortable. Consumers are posited

to perceptually distort expectation discrepant performance so as to coincide with their prior expectation level" (Oliver, 1977). For instance, if a disparity exists between product expectations and product performance, consumers may have a psychological tension and try to reduce it by changing their perception of the product (Yi, 1990). Cardozzo argues that consumers may raise their evaluations of those products when the cost of that product to the individual is high. For example, suppose that a customer goes into a restaurant, which she or he expects it to be good, and is confronted with an unappetizing meal. The consumer, who had driven a long distance and paid a high price for the meal, in order to reduce the dissonance, might say that the food was not really as bad as it appeared or she likes overcooked meal.

The researchers pursued this approach implicitly assuming that, consumers would generally find that product performance deviated in some respect from their expectations or effort expenditures and that some cognitive repositioning would be required (Oliver, 1980). This theory has not gained much support from researchers, partly because it is not clear whether consumers would engage in such discrepancy adjustments as the model predicts in customer satisfaction: conceptual issues.

If the Dissonance Theory holds true, then companies should strive to raise expectations substantially above the product performance in order to obtain a higher product evaluation (Yi, 1990). However, the validity of this assumption is questionable. Raising expectations substantially above the product performance and failing to meet these expectations may backfire, as small discrepancies may be largely discounted while large discrepancies may result in a very negative evaluation. This suggestion fails to take into

account the concept of "tolerance level". The tolerance level suggests that purchasers are willing to accept a range of performance around a point estimate as long as the range could be reasonably expected. When perceptions of a brand performance, which are close to the norm (initial expectation), are within the latitude of acceptable performance, and then it may be assimilated toward the norm (Woodruff *et al* 1983). That is, perceived performance within some interval around a performance norm is likely to be considered equivalent to the norm. However, when the distance from this norm is great enough, that is perceived performance is outside the acceptable zone, then brand performance will be perceived as different from the norm, which, in contrast to this model's assumption, will cause dissatisfaction not a high product evaluation.

Dissonance theory is criticized by different authors as it fails to give a complete explanation of consumer satisfaction. However, it contributes to the understanding of the fact that expectations are not static in that they may change during a consumption experience. For instance, the importance attached to pre-holiday expectations may change during the holiday and a new set of expectations may be formed as a result of experiences during the holiday. This implies that as customer's progress from one encounter to the next, say from hotel's reception to the room or the restaurant, their expectations about the room may be modified due to the performance of the previous encounter (Danaher and Arweiler, 1996). The application of dissonance theory to the challenges facing small hotels in their operations in Arusha municipality is that the hotel owners and management strive to raise expectations above the product performance in order to obtain a higher product evaluation of disagreement between the visitor and service providers.

### **2.4.2 The Contrast Theory**

The Contrast Theory suggests the opposite of the Dissonance Theory. According to Contrast Theory, when actual product performance falls short of consumer's expectations about the product, the contrast between the expectation and outcome will cause the consumer to exaggerate the disparity (Yi, 1990). The theory maintains that a customer who receives a product less valuable than expected, will magnify the difference between the products received and the product expected (Cardozo, 1965). This theory predicts that product performance below expectations will be rated poorer than it is in reality (Oliver and DeSarbo, 1988). In other words, the Contrast Theory would assume that, "outcomes deviating from expectations will cause the subject to favorably or unfavorably react to the disconfirmation experience in that a negative disconfirmation is believed to result in a poor product evaluation, whereas positive disconfirmation should cause the product to be highly appraised" (Oliver, 1977). In terms of the above restaurant situation, the consumer might say that the restaurant was one of the worst he or she had ever been and the food was unfit for human consumption.

If the Contrast Theory were applied to consumption context, then the poor performance would be worse than simply poor, and good performance would be better than a rating of good would suggest (Oliver, 1997). Under the Dissonance Theory, the opposite effects occur, perceived performance, whether it is less or more favorable than the consumer's expectations, is drawn to the original expectation level. It is important to note that these theories have been applied and tested in laboratory settings where the customer satisfaction was tightly controlled, situation specific and individually focused. For instance, researchers investigated the ability of these theories in predicting customer

satisfaction with a pen (Cardozzo, 1965), a reel-type tape recorder (Olshavsky and Miller, 1972), ball-point pen (Anderson, 1973), and a coffee brand (Olson and Dover, 1975). Thus, it is curious whether hypotheses held by these theories could be accepted or rejected when applied in a field survey research study of hospitality and tourism services (Oh and Parks, 1997). It is, for instance, not clear whether all purchase decisions in tourism and hospitality services result in dissonance.

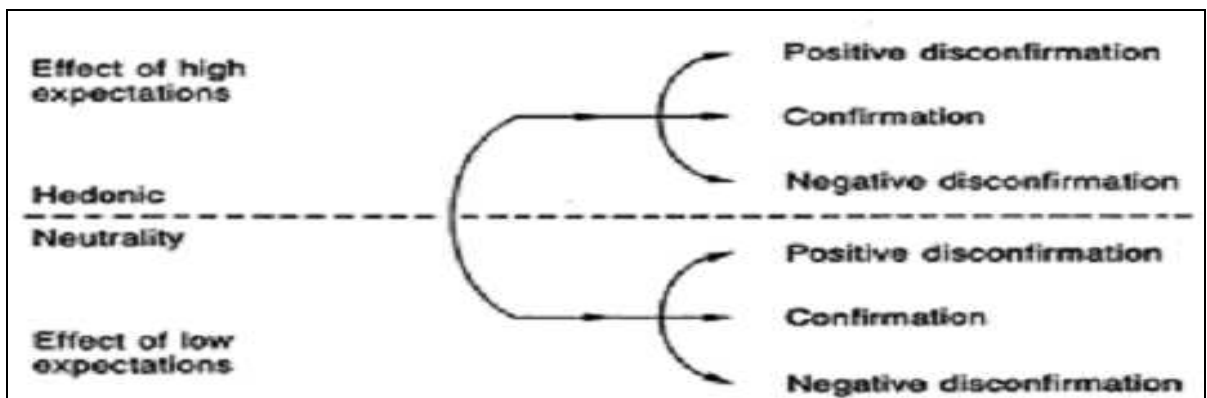
Contrast theory is criticized by different authors. Oh and Parks, (1997) argue that it is curious whether hypotheses held by these theories could be accepted or rejected when applied in a field survey research study of hospitality and tourism services. The application of contrast theory to the challenges facing small hotels in Arusha municipality is that the theory will help the small hotels owners know that a customer, who receives a product less valuable than expected will magnify the difference between the products received and the product expected.

### **2.4.3 Adaptation-Level Theory**

Adaptation-Level Theory is another theory which is consistent with expectation and disconfirmation effects on satisfaction. This theory was originated by Helson in 1964 and applied to customer satisfaction. Helson (1964) simply tell that, "...it posits that one perceives stimuli only in relation to an adapted standard. Figure 2.2 shows that the expectation and disconfirmation effects on satisfaction consistent with adaptation-level theory adopted from Oliver 1981. The standard is a function of perceptions of the stimulus itself, the context, and psychological and physiological characteristics of the organism. Once created, the 'adaptation level' serves to sustain subsequent evaluations

in that positive and negative deviations will remain in the general vicinity of one's original position. Only large impacts on the adaptation level will change the final tone of the subject's evaluation". This theory is gaining acceptance, as it is able to explain some counter-sensitive predictions made by assimilation-contrast theories (Oliver 1977). The application of adaptation – level theory to the challenges facing small hotels in Arusha municipality in their operations is that the theory will help the management of small hotels and hotel owners to know that the standard of service is a function of perceptions of the stimulus itself, the context, psychological and physiological characteristics of the organism.

This study was guided by adaptation theory because the way a guest adapts service offered in small hotels reduces or maximizes challenges facing small hotels in their daily operations. Failure for guest adaptation may lead to increase of challenges in small hotels. If the small hotels provide services which are adapted by customers it will reduce the challenges facing them.



**Figure 2.1 : Expectation and disconfirmation effects on satisfaction consistent with adaptation-level theory.**

Source: Oliver (1981)

## **2.5 Empirical Literature Review**

Different authors have conducted studies concerning hotel industry. Milohnic and Ceroviczdenko (2007) conducted studies about benchmarking and quality of small hotels in Croatia. The researcher explored the co-dependency of benchmarking and quality based on numerous interviews of 60 managers of small hotel in Croatia. Findings show that management of small hotels rarely applies the comparison of business success regarding domestic and foreign competitors, and therefore fails to understand that this is a way to improve one's businesses. Rose and Patricia (2013) studied on entrepreneurial challenges facing the hospitality industry in Kericho county in Kenya whereby the study used a triangulation of both descriptive and exploratory design that involved 30 hotels employees as well as 20 supervisor and 10 managers/owners was used. A self-reporting structured questionnaire was used and the finds show that small hotel sector face shortage of competent manpower, financial constraints, high competition and problems with suppliers.

A descriptive study have also shown that operating micro economy in Tanzania's small hotels may not be at their optimum levels due to scale and location effects, and an inefficient use of labor input. The research presented a descriptive analysis of evidence from Tanzania to highlight factors that are possibly leading to market failure for small hotel financing. The study also showed that availability of financing remains a critical obstacle for small hotel businesses in sub-Sahara region (Sharma and Upneja, 2005). In Tanzania small businesses are important source of economic and important link to entrepreneurial activity, innovation, and job creation (Sharma, 2006). Tarimo (2007) examined the effect of cooperate social responsibility in the hotel industry in Arusha.

His findings revealed that property rights, local traditional and shared expectations might affect level of corporate social responsibility performance.

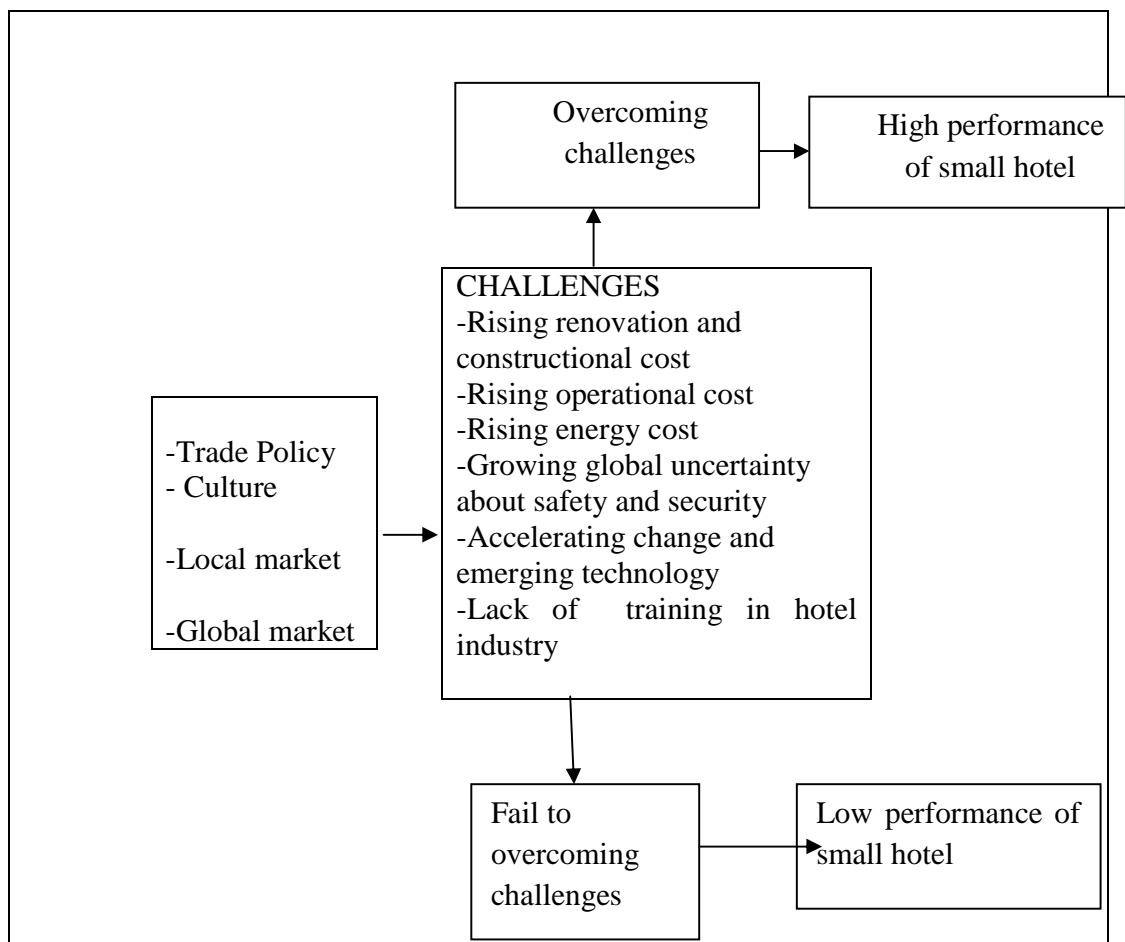
Binkowsk (2005) conducted a study on the effect of hotel's image towards customer loyalty. He used the combination of methodology that was documentary analysis, observation and questionnaire to group leaders. Research findings were; Image and loyalty were closely interrelated as positive image affect customer's loyalty. Another study conducted by Riman (2008) on revenue management within Swedish hotels. The research methodology used were both descriptive quantitative and qualitative. His results showed that there was misperception that revenue/yield management was the same as simply offering discounted room prices. Further, was believe that the concept would only be applicable to larger hotels and in market conditions where demand exceeds supply.

## **2.6 Conceptual Framework**

A Conceptual framework is a basic structure of a research consisting of concepts to be observed or analyzed (Baylis, 2013).It tries to find connections between the concepts or variables. The concepts chosen need to relate to the existing literature. In this study the framework tries to show challenges facing small hotels in Arusha municipality. Figure 2.2 presents the conceptual framework that consists of independent and dependent variables which was adopted in conducting this study. The arrows in the diagram represent the relationship between variable sused and how a set of independent variables influence dependent variables. With this conceptual framework, trade policy, culture, local market, global market are the challenges considered as independent variables with



their two consequences of overcoming challenges or a failure to overcome them. While high and low performance of small hotel are considered as dependent variables. Poor implementation of the policy, poor government support, unqualified staffs, poor technology and low level of education, these are the factors which cause challenges in small hotels.



**Figure 2.2 : Performance of Small Hotels.**

**Source:** Modified from Mbigo, 2014

## 2.7 Research Gap

Several studies regarding challenges facing hotels in their operations were conducted by various researchers in the world. Chan and Quan (2008), for example, conducted a study

on key issues relating to the management of small sized accommodation businesses in Malaysia. The study reveals the intense competition due to the excessive supply of small sized accommodation; resulting in low occupancy and in turn the lack of sufficient capital to sustain itself or to compete with new competitors to be key challenges that operators face. Milohnic and Cerovi'c (2007), on their study on benchmarking and quality of small hotels in Croatia show that management of small hotels rarely applies the comparison of business success regarding domestic and foreign competitors, and therefore fail to understand that this is the way to improve one's business. Wadawi (2008) assessed hotel product quality in Kenya as a basis of building destination competitiveness. He found out that, hotel operators and other destination management organization neither share nor operate on a common vision as they endeavor to build destination competitiveness for Kenya. Also Mbise (2012) in his research on the quality of service standards and related factors in tourist hotels in Arusha show that nearly all hotel employees (95%) had an understanding on the service quality concept.

According to Sharma (2006), performance analysis of small hotels in Tanzania found that small hotel efficiency in Arusha city is being impacted by scale and location effects, and an inefficient use of labour input. Also increasing capacity utilization and allocating resources to develop human resources are the challenges facing industry practitioners and government policy makers. The studies concerning challenges facing small hotels in their operations is still silent. This study aims to find out the challenges facing small hotels in their operations in Arusha Municipality and come up with the solutions to overcome the challenges.

## **CHAPTER THREE**

### **3.0 THE STUDY AREA AND RESEARCH METHODOLOGY**

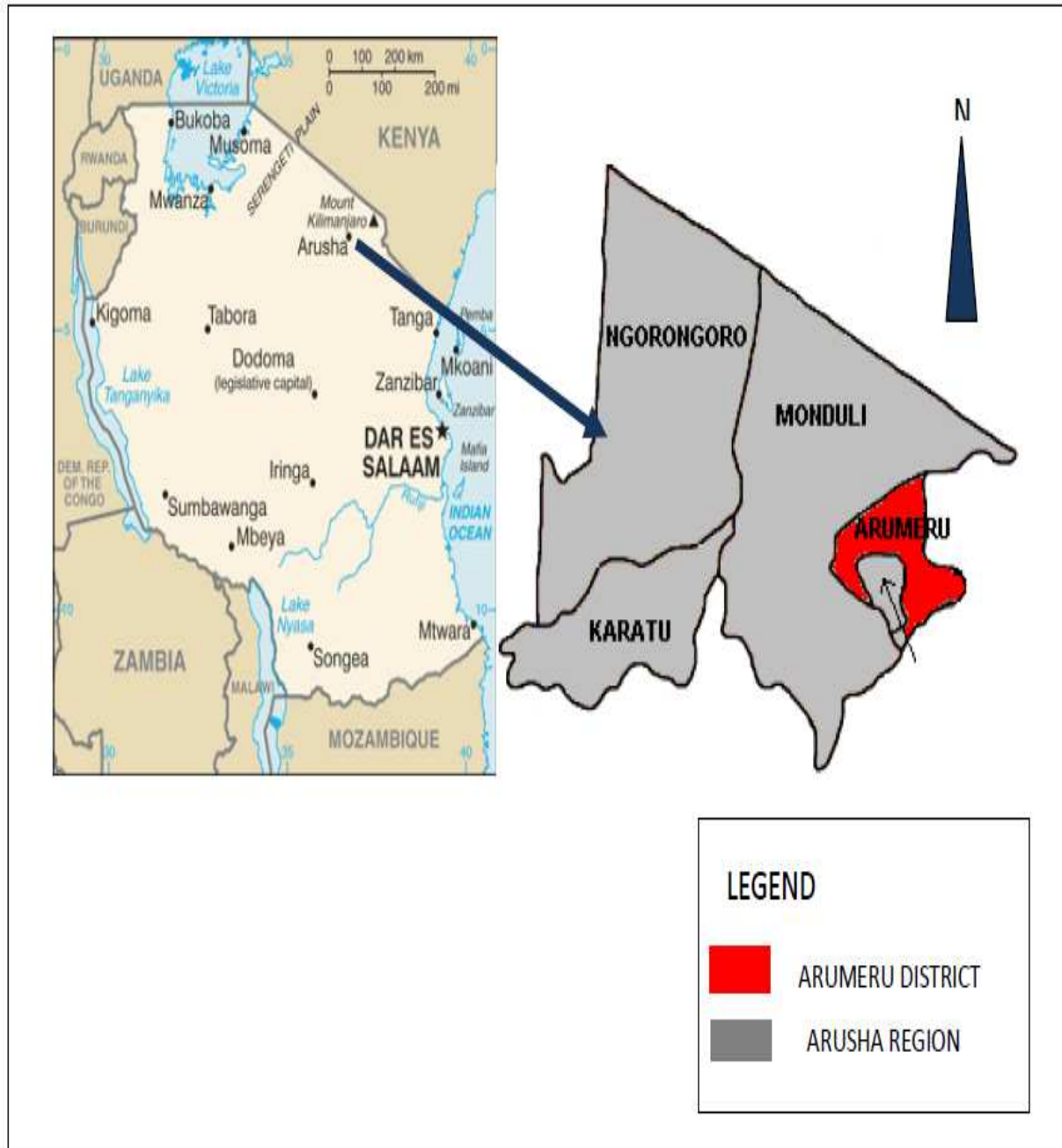
#### **3.1 Introduction**

This chapter presents the study area and research methodology. This chapter starts with description of study area and research design. It further presents target population, sample and sampling procedures, data sources and data collection methods. Lastly, the chapter presents data analysis, interpretation; validity and reliability and ethical issues.

#### **3.2 The Study Area**

This study was carried out in Arusha Municipality (Figure 3.1) in northern Tanzania which is famous for tourism activities. The region is characterized by high concentration of hotels tourism attractions.

These tourist hotels provide accommodation to the guests who visit the city. Sitting amid lush green countryside at the base of mount Meru, Arusha is on latitude of  $03^{\circ}22'S$  and longitude  $036^{\circ}38'E$  and it's at 1540m above sea level. Its habitants are the Maasai, Wa-Arusha, and the Meru's. The city is situated in the famous northern circuit tourist destination which is bordered with four districts which are Arumeru on northern, Monduli, Karatu, and Ngorongoro districts on the north east part. The reason for selecting Arusha municipality is that the area has many small hotels business due to its being rich in tourism and centre of tourist attractions.



**Figure 3.1 : Arusha Municipality**

Source: <http://merudc.blogspot.com/>

### **3.3 Economic Activities**

The primary industry of the region is agriculture, with large crop production of coffee, maize beans, wheat, vegetable and flowers which are high quality export to Europe. It is also home to the most expensive jewelry called Tanzanite. There are other small medium and large businesses most of which are privately owned these include selling imported goods such as clothes, vehicles and spare parts. Tourism is one of the principal industries in Arusha such that the municipality hosts numerous safari companies, hotels, lodges which makes it the leading tourist destination in the country.

### **3.4 Research Design**

Research design is a conceptual structure which describes the method used in the research (Kothari, 2009). The research design in this study explains the way data was collected, instruments involved in data collection and sources of data used in this study, measurement of data, and how data was analyzed (Gimblet, 2006). Therefore, this study applied a descriptive research design where both qualitative and quantitative approaches were used. Descriptive research study is a research design which involves the presentation of information in a fairly simple form (Veal, 2006).

Qualitative data was collected by using interviews, direct observation, and documentary literature review while quantitative data was collected by using questionnaires. The data collected through this research provided information concerning the challenge facing small hotel operators in Arusha Municipality.

### **3.5 Target Population**

According to Cooper and Schindler (2003) a population as a total collection of elements about which a researcher wishes to make some inferences. Mc Daniel and Gates (1996) explain that the population is the total group of people from whom a researcher needs to obtain information. The target population of this study included managers of small hotels, supervisors of different hotels and sections or department and employee staffs of small hotels in Arusha Municipality.

The researcher obtained a wealth of information from owners of the small hotels which included number of staff, hotel managers and supervisors. The information indicate that Joshmal hotel had 40, stereo hotel 36, Golden Rose hotel 34, Arusha crown38, Hotel, Naaz hotel 42making a total of 190 as a target population.

### **3.6 Sampling Procedures and Sample Size**

#### **3.6.1 Sampling procedure**

Selection of a sample in research is very important in order to attain the objectives of the study. Saunders (2007) comments that it is important to select a sample because it helps to make the research practicable, reduce budget and time and lastly facilitate quicker collection of data. According to Sekaran (2006) as cited by Ansar (2011),sampling is defined as a process of selecting a sufficient number of elements from the population where element is a single member of the population. In this study two sampling techniques was used which are purposive sampling technique and random sampling techniques.

The simple random sampling is the non-probability sampling which was used to select small hotels and hotel staff. A simple random selection was used because it provides an equal chance of all staff in the hotels to be included in the study. Simple random was used to select five (5) small hotels to be included in the sample size out of sixteen (16) small hotels in Arusha Municipality. To avoid bias the researcher prepared a list of hotels on a pieces of paper by numbering them and mix all the pieces of paper in a box, then asked her colleague to pick five piece of paper randomly. The small hotels in reference are Joshmal Hotel, Stereo hotel, Golden Rose hotel, Arusha Crown hotel and Naaz hotel. According to ethics the researcher renamed selected small hotels as follows: Joshmal hotel to be hotel A, Sterio hotel as hotel B, Golden Rose as hotel C, Arusha Crown hotel as hotel D and Naaz hotel as hotel E.

Also during selecting small hotel staff by using simple random technique in order to avoid bias the researcher ask a list of staff who will be on duty from head of departments and write their names on a pieces of paper as well as writing YES or NO equal to number of staffs on duty during the day of selection from the different department of the small hotel. The pieces of paper written YES are equal to the number of respondent required to be included in the study. Piece of paper written Yes or No will be mixed well in a box then the researcher will request the staff to pick one piece of paper randomly. Those who picked yes was included in the sample size.

Nevertheless purposive sampling was used in selecting small hotel managers and supervisors. According to Patton (1990) in purposive sampling subject are selected because of some characteristics. The respondent also known as cases are specifically

chosen because they can teach a researcher a lot about issues that are of important to the study (Boeije (2009)).Therefore in this study managers and supervisors ware purposively selected.

### 3.7 Sample Size

Cohen (2000) defines a sample as a strategic and purposive category of respondents who provide information for the study. According to Bryman (2004) the rationale for sampling is to measure these elements and draw conclusions concerning the population. The sample size of this study was 57 obtained from 190 populations which were 30% of the total population.

**Table 3.1 : Sample size**

<b>Respondents</b>	<b>Population</b>	<b>Sample size</b>
1. Hotel Manager	10	5
2. Hotel Supervisors	30	15
3. Hotel staff	150	37
<b>TOTAL</b>	<b>190</b>	<b>57</b>

**Source:** Researcher Computation, 2015



However, during data collection the number of questionnaires administered was 52. A total of 47 out of 52 questionnaires were properly filed and returned from hotel employees and small hotel staff, this represents 90%. In addition, five managers were interviewed out of five hotel managers, this represents 100% of all managers.

### **3.8 Sources of Data**

#### **3.8.1 Secondary data**

Secondary data refer to the data which have been collected and analyzed by someone else (Kothari, 2004). In this study secondary data was collected from published and unpublished documents such as books, theses, journals, magazines and articles. A researcher obtained secondary data from tourism institutions, Tanzania Tourist Board, National College of Tourism (NCT), Ministry of Natural Resources and Tourism - Zonal office (MNRT). Different sources were used to provide secondary information which included libraries and internet. Secondary data was collected by researcher because it helped the researcher to study previous studies and explore its relationship with this study.

#### **3.8.2 Primary data**

Primary data are first hand data obtained directly from the respondents or the surveyed area. These are information gathered directly from the experimental study or respondents using research instruments. The information is obtained by measuring the variables of interest (Mbogo *et al* .2012). In this study questionnaire survey, interviews and direct

observation were employed to obtain primary data. Primary data helped the researcher to obtain fresh hand data.

### **3.9 Data Collection Methods**

Creswell (1998) defines data collection methods as a means of generation of data related to the study. The data were collected using four methods which were questionnaires, interview, direct observations and document literature review.

#### **3.9.1 Interviews**

This is the method of data collection that involves oral questioning of respondent either individually or in a group. The answers to the questions posed during an interview can be recorded by writing them down immediately after the interview or during the interview or by tape –recording the responses or by combination of both. This method involved personal structured interview which was used to collect information from hotel managers. The detailed information about the challenges facing small hotel operators was collected.

#### **3.9.2 Questionnaires**

Questionnaire is a set of typed questions, which can either be printed or mailed to the respondents who then answer the questions at their time then mail them back or collected at the specified location. The form of questions may be either open or close ended. Kothari, (2004) and Bell, (1995) commented that this type of instrument is free from bias, in expensive, provide respondents adequate time to understand the questions,

respond, and collect many data, which needs little interpretation comparing to other data instruments. In this study a researcher asked hotel staffs and supervisors (Appendix I) questions related to challenges facing small hotel operators.

### **3.9.3 Direct observation**

Direct observation is a data collection tool providing information about actual behavior (Mbogoet *al.*2012). The observation gave the opportunity to the researcher to look and document what was taking places in the small hotel. The researcher had the opportunity to observe challenges facing small hotel operators when they offer services to their customers. The researcher visited the study area to observe the whole process of small hotel operations in order to come up with accurate information concerning challenges facing small hotels operators in their operations. The researcher prepared observation checklist as Appendix III.

### **3.9.4 Literature review**

In this method the data was collected from the literature in order to get more supportive information concerning the study. Information from different sources such as internet, books, papers, and reports. Documentary review helped researcher to obtain information about the problem under investigation through understanding past, present and predict the future situation.

### **3.10 Data Analysis, Interpretation and Presentation**

According to Enon (1998), data analysis means the critical examination of the assembled and grouped data for studying the characteristics of the subject under study and for determining the pattern of the tools used. Burn and Grove (2003) define data analysis as a mechanism of reducing and organizing data to produce findings that require interpretation by the researcher. Data analysis is the processing of data collected to make meaningful information out of them (Sounders *et al.* 2009). For quantitative data was analyzed by using statistical package for social scientists (SPSS) version 16.0 and Microsoft-Excel was used Statistics was used. For qualitative information's was presented in form of content analysis.

### **3.11 Validity and Reliability**

It is very important to check on the validity of the data collected in order to reveal the truth for the current situation (Saunders *et al.* 2007), Validity referred to the quality that a procedure or an instrument (tool) used in the research is accurate, correct, true and meaningful and right (Enon, 1998). For Creswell (1994.), validity refers to the extent to which an empirical measure adequately reflects the real meaning of the concept under consideration. In order to ensure that there is validity of the study, the researcher conducted a pilot study on “challenges facing small hotel operators in Arusha municipality using questionnaires to the hotel operators and employees.

Aryet *al* (1996) describe the reliability of a tool as the consistency with which the tool measures the attributes it is supposed to measures; if a study and its attributes are reliable, other researchers using the same method will obtain the same results.

Reliability helped researcher to ensure that data collection instruments such as questionnaire, interview and observation are effectively, efficiently and well assessed so as to be deemed real and trustworthy. Also a researcher ensured that the authority or reputation of data was assessed.

### **3.12 Chapter Summary**

This chapter went through the research methodology, it identified the research approaches to be used, sampling technique and sampling size. Further, it showed the sources of data and type used in the research, and the data collection instruments used, which were questionnaires, interviews and document review. Lastly, it went through explaining the data analysis and presentation techniques, validity and reliability used by the researcher on her study. The chapter also presented an overview of the case studies where the research was carried out.

## **CHAPTER FOUR**

### **4.0 DATA PRESENTATION, ANALYSIS AND DISCUSSION OF THE FINDINGS**

#### **4.1 Introduction**

This chapter presents the findings obtained through interviews, questionnaire, direct observations and documentary literature review from different categories of respondents. The chapter begins with demographic characteristics of respondents basing on age, gender, education level and occupation. The chapter goes further and presents factors constraining development of small hotels, performance of small hotel operators in tourism sector and finally deals with measures used to combat challenges facing small hotel operators.

#### **4.2 Socio - demographic characteristics of respondents**

The parameters which were examined in this study were age, gender, education level and occupation of the respondents. These variables helped to provide a profile of the sample surveyed. Some of the information collected was useful on its own because it highlights various features of hotel operators as well as employees of small hotel under the study.

##### **4.2.1 Gender of the respondents**

Table 4.1 indicated that 40% of respondents were males and 60% were females. The study showed that most of small hotel employees/workers were female. Most of

employees are female due to the nature of the work in small hotel because some departments like housekeeping, front office are effectively performed by females.

**Table 4.1 : Gender of the respondents**

<b>No</b>	<b>Gender</b>	<b>Frequency</b>	<b>Percentage</b>
1	Male	20	40
2	Female	30	60
	<b>Total</b>	<b>50</b>	<b>100</b>

Source: Data from field, 2015

#### **4.2.2 Age groups of the respondents**

It was important to investigate the age of the hotel operators and employees of small hotels because of the diverse implications each age group has in social settings which subsequently have an impact on their expectations of the hotel services. Thus, the age of the respondents was categorized into four groups; the grouping was aged from 18years to 45 years and above. This grouping was based on the consideration that the economically active and productive group in Tanzania is from the age of 15 years old to 64 years (URT 1991).

The results show that, 46% of the respondents were between 18 to 25 years old, 30% were aged 25 - 35, and 14% were aged 45+years old. On the other hand, 10% of the hotel operators were above 45 years old. The findings imply that majority of the respondents were in age groups 18 - 25 and 26 - 35 years old which are within the

economically active and productive group. At these age groups, women and men are also responsible for their families. According to Basnayake and Gunaratne (2002), the age of a person usually is also a factor that can explain the level of production and efficiency.

**Table 4.2 : Age of Respondents**

<b>Age group</b>	<b>Frequency</b>	<b>Percentage</b>
1. 18-25	23	46
2. 26-35	15	30
3. 36-45	7	14
4. above45+	5	10
<b>Total</b>	<b>50</b>	<b>100</b>

Source: Data from field, 2015

#### **4.2.3 Education level of respondents**

Education is always regarded and valued as a means of liberation from ignorance (Basnayake and Gunaratne, 2002). It is perceived as among the factors that influence an individual's perception of an intervention before making decision to take part. Thus, understanding the educational levels of the respondents under the study was an important factor in assessing their skills and knowledge for judging about different matters. The results revealed that, majority of the respondents; 46% of employees had attained a certificate education in hotel, whereas 36% of employees and 10% of hotel operators had attained a diploma and degree education, respectively (Table 4.3).



However, only 8% of hotel operators had attained master's education. Most of employees had a certificate and diploma level of education, only few had a Bachelor and Master Degrees. Since most of the hotel operators have limited budget they cannot afford to employ many workers with higher education.

**Table 4.3 : Education levels of respondents**

<b>Education level</b>	<b>Frequently</b>	<b>Percentage</b>
1. Certificate	23	46
2. Diploma	18	36
3. Bachelor Degree	6	10
4. Master Degree	5	8
<b>Total</b>	<b>50</b>	<b>100</b>

Source: Data from field (2015)

#### **4.2.4 Respondent occupations**

During this study 40% of the respondents were waiters/waitresses, room service personnel and attendants. This category of workers presents a high number of staffs in small hotels compare to other staffs category. This is due to the fact that most performers in small hotels are this category of employees. In this category 20% of the respondents were receptionists, the key staffs in a small hotels which are the front of the house operators, 10% were chefs and 10% were accountants. Marketing position had 8% managers also were 8%, human resources were 2% and owners of the small hotels were also 2% (Table 4.4).

**Table 4.4 : Occupations of the Respondents**

<b>SN</b>	<b>Occupation</b>	<b>Frequency</b>	<b>Percentage</b>
1	Owner	1	2
2	Manager	4	8
3	Human Resource	1	2
4	Receptionist	10	20
5	Waiter/Room service/Attendant	20	40
6	Chef	5	10
7	Marketing	4	8
8	Accountant	5	10
	<b>Total</b>	<b>50</b>	<b>100</b>

Source: Data from field, 2015

#### **4.2.5 Respondents work experience**

Studying work experience of respondents under the study was important in order to know how their working experience relates to the performance of the small hotels operation. The results in Table 4.5 revealed that, 46% of employees and hotel operators has working experience of 5 years, 36% of employees had 6 to 10 years and 10% of hotel operators had working experience between 11 and 20 years. Finally, 8% of employee

had working experience of 30 years plus. The results indicated that, about half of the respondents in small hotels had less than 5 years of work experience.

**Table 4 5 : Working experience of Respondents**

No	Work experience	Frequency	Percentage
1	0-5 years	23	46
2	6-10 years	18	36
3	11-20 years	5	10
4	30 and Above	4	8
	<b>Total</b>	<b>50</b>	<b>100</b>

Source: Data from the field, 2015

#### **4.3 Contributions of small hotels in socio – economic in Arusha Municipality**

Small hotels have significant contribution in socio economic development in Arusha Municipality. Its impact include employment, markets or local goods, increase gross domestic products, generating foreign exchange (forex) and improved standard of living of local people.

**Table 4.6 : Contributions of small hotels in socio – economic in Arusha Municipality**

No	Contribution	Frequency	Percentage
1	Employment	15	30
2	Market of local goods	12	24
3	Increase GDP and Forex	6	12
4	Improving standards of living	17	34
	<b>Total</b>	<b>50</b>	<b>100</b>

Source: Data from the field, 2015

#### **4.3.1 Employment**

During the study, 30% of the respondents commented that small hotel provide direct employment to local people and indirect employment to such groups such as farmers through sales of products. A manager from hotel B commented that “*we do provide direct job opportunities in such positions as waiters, cooks, receptionists, and housekeepers,*”

#### **4.3.2 Market of local goods**

The researcher revealed that 24% of respondent's small hotels provide an opportunity to local community to sale their products such as vegetables, fruits and industrial products. Through interview manager from hotel C commented that “*small hotel provide market for local goods such as fruits, vegetables, and other agricultural products*”.

#### **4.3.3 Increasing Gross Domestic Product and forex**

In the study 12% of the respondents said that small hotels contribute to the income of individuals and of Arusha municipality and in addition they increase foreign exchange to the economy of the municipality. Through interview the manager from hotel D commented that “*small hotel contribute to the economy of the Arusha municipality such as individual income, foreign exchange*” (Susan, 2011).

#### **4.3.4 Improving standards of living**

During the research 34% of respondents felt that small hotel improve the living standard of the local community in Arusha municipality. There is substantial improvement if the housing standard, for example. In an interview one of the respondents said “*experience*

*shows that hotel investment holds vast potential for job creation and economic stimulus”.*(Susan,2011).



**Figure 4.1 : Modern house**

Source: Photo by researcher, 2015

#### **4.4 Challenges facing small hotel operators in Arusha Municipality**

Although small hotels play an important role in Arusha Municipality they nevertheless face a lot of challenges in their daily operations. Respondents were asked to outline challenges small hotels face, the responses are as presented in Table 4.6.

**Table 4.7 : Challenges facing small hotel operators**

No	Challenges	Frequency	Percentage
1	High interest rate	5	10
2	Inflation	6	13
3	Foreign currency shortage	8	15
4	High operation cost	13	25
5	Lack of training in hotel industry	8	15
6	Growing global uncertainty about safety and security	1	5
7	High tax rates	4	7
8	Changes of the world market	5	10
	<b>Total</b>	<b>50</b>	<b>100</b>

Source: Data from field, 2015

Challenges facing small hotels are several. 10% of respondents said that high interest rates increase the cost services in the hotels. Some of the impact is the increases of the price of the room and the cost for treatment workers in case they fall sick. About 7% of respondents proved that high taxes rates are coursed by unreliable power supply when accommodation tariffs increases and leads to reduce the number of clients. Other challenges are foreign currency (15 %), operation cost (25%), lack of training (15%), growing global (5), high tax rates (7%) and change of world market (10%). The study shows that most of small hotels fail to operate due to high tax charges they pay to the government such as bed night levy fees which is charged to individuals who use the

accommodation facilities which affect the number of clients as the price of accommodation are higher, also the Value Added Tax (VAT) which is paid to the government by the small hotel operator a very high.

#### **4.4.1 Inflation**

About 13% of respondents commented that inflation is an economic phenomenon that increases price of goods and services. Inflation and deflation affects the price of goods and the value of debt. Inflation can occur in wages or prices. Price inflation decreases people's ability to pay for goods. The concept at a basic level says if an employee's wages remain the same, but the cost of goods increases, then the employee can afford fewer goods. As wage inflation occurs, people will be able to buy more products. There is little support that wage inflation cause price inflation. Also during interview session with hotel managers the manager from hotel A, the manager commented that “*the increase and decrease economy, affects the purchasing power of the small hotel to unstable balance of payments*”

#### **4.4.2 Operation cost**

During the study, 25% of the respondents commented that many operators experienced financial problems in operating and sustaining their business. The findings are in line with Chan and Quah (2008) who established that hospitality is increasingly challenged to find ways to reduce costs without sacrificing the quality standards imposed to consistently meet guest's expectations. This requires managers to think about ways to operate more effectively to do the right thing at the right way to examine possibilities for

cost saving that will not affect the guest's perception of value. During the study hotel C and E reveal that they incur high costs of the facilities within the small hotels in operating fitness center and swimming pool in daily maintenance. Where hotel A, B and D paying the finds it expensive to operate the ICT equipments where all uses of ICT are centralized to the front of the house department in order to regulate the incurred costs.

#### **4.4.3 Lack of training**

Lack of skilled man power in small hotels is among the challenges which hinder the effectiveness of service delivery. During this study the researcher reveal that 46% of employees had attained a certificate education in hotel which they obtained in short courses. Similar results were observed Wanget *al.*(2009)who states that a shrink labor force is a number one challenge facing the global small hotel industry. Lack of education was mentioned as the most challenge facing small hotels industry. Lack of education concerning which causes small hotel staff to fail to deliver quality service to tourist, during the interview the way also researcher received the information from small hotel staff during data collection could tell that education is problem.

#### **4.4.4 Changes of the world market**

Is among the challenge facing small hotels operators, because now market is conducted through electronic way and is need highly technology this leads difficulty to afford for example the use of global reservation system and online marketing, Changing of world market lead customers of small hotel to change their purchasing behavior. During the study 7% of the respondent said that high taxes charge by the government hinder the operation of small hotels such as value added tax (VAT),levied of the hotel, income



taxes, property taxes which affect the small hotels as this taxes a very high small hotel cannot afforded.

#### **4.4.6 Growing global uncertainty about safety and security**

During the study the researcher revealed that 5% of respondents commented that growing global uncertainty about safety and security is the challenge facing small hotels in their daily operations. Also during the interview session with the hotel managers the manager from hotel E said that *“safety and security impact received customers in the hotel thus lower the number which lead to low production in small hotel and decreases the income generated in hotel”*.

#### **4.4.7 High interest rates**

Most of small hotel operators price/sell their product or services at high price at high price which leads to the increase of profit, the increase of price affect buyers of the products/service.

#### **4.4.8 Foreign currency shortage**

Foreign currency can affect both positively and negatively to small hotels, increasingly rising of exchange rate can lead to the improvement of service in small hotels, but the decrease of exchange rate can lead to the decrease falling of services in the small hotel. 15% of respondent comment that *“shortage of foreign currency affect the operations of the small hotel such as importing of operating equipments like the kitchen equipments this was addressed on interview with respondent from hotel C”*.

#### **4.5 Addressing challenges facing small hotel operators**

In order to improve small hotel in Tanzania, the researcher asked the respondents to give their views. The findings in Table 4.4 showed that, 40% of the respondents recommended that, small hotels have to provide training to their staffs in order to have competent staffs that are knowledgeable to perform effective and efficiently in offering service. 22.2% of the respondents stressed that, the small hotels have to increase manpower. The amount of manpower needed may vary among different types of companies within the various segments of the industry; labor is still an essential and the most foundational element to make a business run. In a hotel, labor serves a variety of needs in both the front and back of house across all divisions of a hotel. One of the major characteristics of service is inseparability, which means that it needs humans to perform or deliver. The shortage in human resources has also resulted in the drop of service quality to the hotel industry, which is caused by two major issues. The first issue is about the quality of people, the need of manpower does not only give rise to salary increase, but also reduces the labor quality requirement in the recruitment stage as a compromise solution to acquire enough people. 15% of the respondents recommended that provision of training on tourism and hotel management to employees should be given, while further results show that most of respondents recommended that, small hotel should provide conducive work environment, human rights and staff involvement in decision making.

**Table 4.8 : Measures to overcome challenges**

<b>No</b>	<b>Measure</b>	<b>Responses</b>	<b>Percentage</b>
1	Training of employees	20	40
2	Operation cost	5	10
3	To reduce tax	7	14
4	To reduce inflation	5	10
5	Increase marketing and promotion	3	6
6	Improve hotel infrastructures	10	20
	<b>Total</b>	<b>50</b>	<b>100</b>

Source: Data Field

#### **4.5.1 Training of employees**

Skilled labour is still an essential and the most foundational element to make a business run. In a hotel, labor serves a variety of needs in both the front and back of house across all divisions of a hotel. 40 % of the respondents agreed that lack of training affects operation in small hotel. This finding corresponds with Ngirwa (2006) who established that most African work organizations do not have staff training policies at their organizations. Similar results were observed by Jacobs (2003) who states that, it is difficult for trainees to understand the way the department works without proper training programmes being set up in place. This implies that work organizations without suitable training policies and programmes cannot run human resource training and development

programmers successfully. Such a difference leads to poor performance and inefficiency and finally decreased productivity and profitability.

#### **4.5.2 To reduce tax**

Through questionnaire 14% of the respondents said that the government should reduce taxes which are very high. These include value added tax which is payable to the government. The government should see a better way of supporting these small hotels by creating conducive investment environments as they face challenge in access financial support.

#### **4.5.3 To reduce inflation**

Researcher recommends that the government to devise ways of reducing inflation by reducing volume of money in the circulation. It can also reduce importation of foreign goods and increase the use of local products.

#### **4.5.4 Increase marketing and promotion**

Small hotels operators should seek Government support in marketing and promoting hotel product and services both in domestic and international markets. This is by creating awareness to the public about the services offered,. The government should also provide loans and grants to the small hotels and support them in marketing campaigns especially international marketing through Tanzania Tourist Board (TTB).

#### **4.5.5 Improve hotel infrastructures**

In response to the question of infrastructure is that accelerating change and emerging technology is the one of factors constraining development of small hotel operators, 20 % of the respondents agreed adaptation of new technology constrain the development of the small hotel and suggest the government to improve the technology in order for small hotel to bear with the cost of adapting new technology which are very expensive to operate.

### **4.6 Discussions of the Findings**

#### **4.6.1 The contribution of small hotels in Arusha Municipality**

Employment: small hotel provided employment to the local people direct as receptionists ,housekeeping, waiters, chefs, and indirect (multipliers) through selling local goods to the hotel operators, vegetables and other agriculture goods. Small hotels provide both permanent and casual employment to the local communities.

Education: small hotel motivate local colleges in training local residences on hotel catering and management which empower them in skills of hoteliers. The small hotels generate income to the government through taxes which are paid to the government and to the local people through employment.

Foreign exchange: people are getting foreign currency through selling local good to the tourist, this help in diversification of local economy.

Creating marketing to the local goods, small hotel offer opportunity to the local to supply their goods which creates income to individuals such as agricultural products.

Technology, The challenge of keeping up with the fast pace of technology is difficult and expensive booking online, guest room innovation (Wang and Jin 2009).

#### **4.6.2 Challenges facing small hotel operators in Arusha Municipality**

Infrastructure, poor infrastructure hinders effectiveness of the small hotels in their daily operations such as stable electric power, water to mention few; the government should provide good infrastructure to smoothening small hotels operation in order to provide good service to their client and attracts more clients. Marketing, small hotels fail to access international marketing because is expensive, hence receive low number of tourists, this is a challenge to small hotels because it becomes difficult to run the small hotel due to the low number of tourist which accommodated. *“Small hotel face challenges due to the increase market segmentation, overlapping brands and increased guest sophistication”*(Zhao and Jin 2009) .

Poor government support, the government does not support small hotels because it charges multiple taxes to the small hotel hence the income earned are directed to pay tax, also infrastructure are not well developed and no training provided by government to the small hotels.

Poor management, small hotels are lacking good management, this lead to lack of skilled personnel, poor delivery of information and data. The management fails to conduct

training for their staffs, also the researcher fails to observe some of the hotels activities this was due to the lack of permission to access the hotels.

#### **4.6.3 Measures taken by hotel operators in addressing challenges facing small hotels**

Education and training should be provided to the small hotel staff so as to build capacity in delivering quality services, education and training should be improved to the small hotel staff include customer care skills and tourism. Knowledge should also be provided to the local people so as to raise awareness to community the advantage of the small hotels within the municipality. Improvement of infrastructure; government should improve infrastructure so as to ensure accessibility to the hotels and provide comfortable transport to the tourists hence attract large number of tourists to visit the small hotels. Government should support small hotels in conducting aggressive marketing and promotion campaigns both internal and international. TTB should help small hotels to build their capacity in marketing the small hotel products in order to be well known all over the world and attract larger number of tourists.

Proper management is the key factor for the success of the small hotel operations. The small hotel management should have managerial skills and knowledge which will empower them to supervise and manage daily activities of the hotels. The small hotel management should possess managerial skills, marketing skills and entrepreneurial skills.

## **CHAPTER FIVE**

### **5.0 SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 Introduction**

This chapter presents summary of the findings, conclusions and recommendations geared to address challenges facing small hotel operators.

#### **5.2 Summary**

The main objective of this study was to analyze challenges facing small hotel operators in Arusha Municipality. Specific objectives were to identify the contribution of small hotels in Arusha Municipality, to examine challenges facing small hotel operators in Arusha Municipality, to examine mitigation measures taken by hotel operators towards addressing challenges facing small hotels. Literature review covered the theoretical and Empirical findings related to the study. The study design was a descriptive research design. The sample size included 57 managers of the hotel, staffs and supervisors of the small hotels, Purposive and simple randomly sampling methods were used. The collection instruments /tools were questionnaires, interview, direct observation and document review. Quantitative data were analyzed by Statistics Packages for Social Science (SPSS version 16.0) whereby content analysis was used to analysis qualitative data.

The findings shows that majority of respondents in the study area fall the age between 18 to 25years old and few of over 45 years of age, most of respondents attained



certificate and diploma education level where degree and masters level were few. The study reveal that factors constraining development of the small hotel operators were high interest rate, Inflation, Operation cost, high tax rates, Changes of the world market, lack of training in hotel industry were identified as the most factors constraining development of small hotel operators. The following were mention as measured to overcome the challenges facing small hotels in Arusha municipality. Reduction of operation cost reduction of tax, reduction of inflation, increase marketing and promotion and improve hotel infrastructures.

### **5.3 Conclusion**

This study shows that the small hotels face a lot of challenges in their operation. Hotel as part and parcel of tourism industry which offers accommodation /hospitality services to the visitors away from their usual environment. Small hotels operators face a number of challenges which hinders their operations to capture the tourism market as Arusha is the centre for tourism in Tanzania.

The challenges ranked as follows: lack of finance being the most difficult aspect for running the hotel business, such as capital, lack of infrastructures like power supply, accessible roads, water, the changes of the world market whereby the government do not support them in terms of participating in both international and local markets, conducive environment for investment like high taxes charges, poor guidelines, rules and regulations of operations costs. High interest rate, Inflation and lack of trainings to small hotel staffs. The study showed that small hotels face challenges in their operations.

The study concludes that, provision of training on tourism and hotel management to employees to improve the level of service, it was also stated that, small hotels have to provide better salaries and incentives to staff with high level of education to attract them to work with the small hotels in order to reduce the challenges facing small hotels.

#### **5.4 Recommendations**

Small hotel in Arusha city play a vital role in tourism sectors. They offer a service to visitors visiting the country for leisure and contribute income of national (GNP). Therefore, study recommends that small hotel operators should improve their operation to maintain and provide quality service to guests.

Government should support small hotels operators to reduce taxes which are very high, Increase the facilities of the hotels by the hotel owners to increase efficiency such as the information communication technology (ICT), equipments, Marketing of the product both domestic and international, Collaboration among themselves and other stakeholders such as tour operators ,employ competent employees (skilled manpower).

The small hotel operators in Arusha Municipality should put effort on building a long-term relationship with employees rather than just solving the problems in the short-term. Raising the salary may be attractive but, solely relying on this is not sustainable. Instead, small hotel operators can improve other aspects of their benefits by offering things such as training opportunities, a well planned career ranking, proper channels to deal with employee stress, and regular team building activities to increase team work and

employee commitment. Making employees feel committed to the company is a better way to improve employee reliability.

### **5.5 Recommendation for further studies**

This study recommends for more studies on this aspect of challenges facing small hotels other areas in the country as it may come up with different outcomes.

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## APPENDICES

### Appendix 1 : Questionnaire

#### QUESTIONNAIRE FOR SMALL HOTEL STAFF AND SUPERVISORS

I am conducting a research on the challenges facing small hotel operators in Arusha municipality as a part of partial fulfillment of the requirement on masters degree of tourism management and planning at the open university of Tanzania.

This questionnaire is to collect views and opinions of your Hotel. This is an academic research and shall only be used for academic purpose, and not otherwise. kindly I request you to complete this research questionnaire your input to this research will be of great value, thanks for using your valuable time to fill this questionnaire. Please be free to contact me through email: [ennyv2004@yahoo.com](mailto:ennyv2004@yahoo.com), Tell: +255 754 300 788/0655 300 788.

#### A demographic

**Question 1:** What is your gender? (Tick only one option)

Gender	Tick [√]
Male	
Female	

**Question 2:** What is your age group? (Tick only one option)

Age group	Tick [√]
Less than 25	
Less than 35	
Less than 45	
45 and above	

**Question 3:** What is your education level? (Tick only one option)

Education level	Tick [√]
Certificate	
Diploma	
Degree	
Masters and above	

**Question 4:** What are your specialization/ Designation? (Tick only one option)

<b>Occupation</b>	<b>Tick [√]</b>
Owner	
Manager	
Human resource	
Receptionist	
Waiter/Room service/attendants	
Chef	
Marketing	
Accountant	
Other.....	

**Question 5:** What is your work experience in terms of years? (Tick only one option)

<b>Work experience</b>	<b>Tick [√]</b>
0-5 years	
6-10 years	
11- 20 years	
30 and above	

**Question 6:** Which ways do you market your hotel? (Tick more than one option)

<b>Ways of marketing</b>	<b>Tick [√]</b>
Radio	
Television	
Posters	
Newspapers	
Website	
Through tour operators	
Fliers	
Mobile	
Others	



**B: Challenges**

Question 8: Which of the following factors impact negatively on the performance of your hotel? (Tick more than one option)

Factors	Tick [√]
High interest rates	
Inflation	
Foreign currency shortages	
Power disruption	
Corruption	
Theft	
High tax rates	
Changes of the world market	
Others	

**Question 9:** Which of the following challenges impact on the development and growth of your hotel? (Tick more than one option)

Challenges	Tick [√]
Lack of finance	
Lack of infrastructure	
Poor usage of ICT	
Cost of ICT equipments	
Poor government support	
Lack of skilled personnel	
Location	
High Competition	
Lack of appropriate marketing	

**Question 10:** Please indicate which of the following factors/challenges on the performance and growth of your organization. Use the scale to rate the factors where 1= strongly disagree, 2 = disagree, 3= neutral, 4= agree and 5 = strongly agree.

Factors/challenges [√]	1	2	3	4	5
No access to finance					
Poor market selection					
Changing market condition					
Inability to make use of good business practices					
Location of the hotel					
Lack of working capital					
Lack of collateral					
Government controls and regulation					
Lack of management skills and experience					
Lack of motivation of the owner/manager					
Lack of technology/ICT					
Inflation					
Power disruption					
High interest rates					
High tax rates					
Theft					

**Question 11:** In your opinion, what do you think can be the best way (s) which can be used to overcome the challenges?


## Appendix 2 : Interview guide for Managers

### Interview guide for Managers.

#### Section one

Question 1: Kindly provide the following information about yourself

Information	
Age of the respondent	
Gender of the respondent	
Level of education	
Work experience	

#### Section two

Question 2: Kindly provide the following information about your hotel

Information	
Type of hotel	
Number of employees	
Capital threshold	
Is the hotel managed by it owners?	
Annual turnover	

#### Section three

Question 3: Does your hotel contribute to tourism development?

Question 4: What are the constraints faced by the hotel?

Question 5: What factors affect more the performance of your hotel?

Question 6: Do you measure the performance of your hotel in regular basis?

Question 7: At what level of your hotel do you conduct planning?

Question 8: What analysis tools do you use to conduct your market research?

Question 9: What type of marketing tools do you use to advertise your hotel?

Question 10: What type of clients do you get at your hotel?

Question 11: How do you handle complaints from your customers?

### Appendix 3 : Direct Observation Check List

#### DIRECT OBSERVATION CHECK LIST

List below are observable types of services and equipment use by small hotel operators in providing services. The observer should check the appropriate blank YES or NO. All services observed and equipments provided are not observed in one small hotel.

NO	SERVICES/EQUIPMENT	YES	NO
1	Computer reservation system		
2	Online booking		
3	Hotel website		
4	Transfer vehicle and services		
5	Fitness centers e.g. Gymnasium		
6	Recreation facilities such as swimming pool		
7	Business centers facilities such as curio shops, gift shops, entertainment.		

**Appendix 4 : Funds and Bugdet****FUNDS AND BUGDET**

NO	ACTIVITY	TOTAL
A	<b>TRANSPORT</b>	
1	Transport within the city	100,000
	Accommodation and meal	200,000
B	<b>STATIONERIES</b>	
1	Photocopy binding, pens, ruler, rubber, pencil.	300,000
2	Facilitator allowance	300,000
3	Emergency money	100,000
	<b>Grand Total</b>	<b>1,000,000/ =</b>

**10. Student's signature****Marealle Enid A.****Date:**

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**11. Supervisor's signature:****DR.EMMANUEL PATROBA MHACHE.****Date:**

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## Appendix 5 : Duration and Timetable

### DURATION AND TIMETABLE

The research will be conducted in a period of June 2014 to July 2015. The schedule of activities is indicated in the table below.

### WORK PLAN OF THE STUDY

ACTIVITIES	PERIOD (2014-2015)			
	APRIL	MAY	JUNE	JULY
Proposal Writing				
Data collection and Analysis				
Dissertation compilation				
Submission				

### **Appendix 6 : Source of Research Funds and Bugdet.**

The amount to be used will be TSH 1,000,000/= funded by parent and researchers pocket money. The tables below illustrate how the money will be utilized.

**The budget expected to be used is summarized as follows**

	<b>ITEMS</b>	<b>COST PER DAY (120DAYS)</b>	<b>VALUES</b>
1	Traveling expenses	40,000	40,000
2	Meals	4000 × 120days	480,000
3	Stationery	80,000	80,000
4	Printing	70,000	70,000
5	Binding	50,000	50,000
6	Miscellaneous Expenses	100,000	100,000
	<b>TOTAL</b>		<b>1,000,000</b>